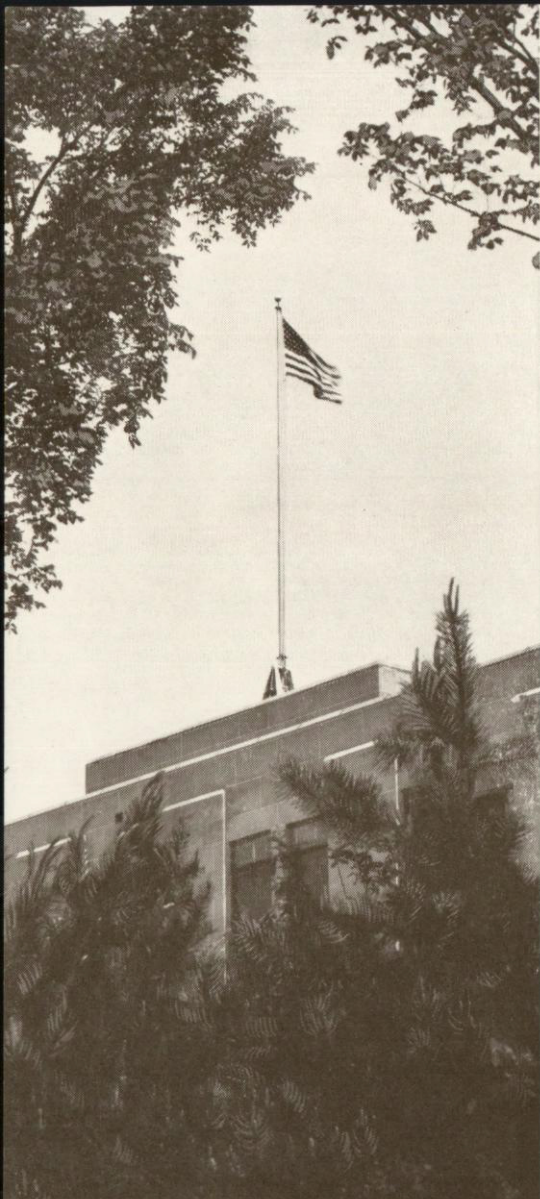


# *Jewel Tea Co., Inc.*

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## *Annual Report 1940*



*You will enjoy a visit to our fine  
modern headquarters in Jewel Park.*

### *Directors:*

HENRY S. BOWERS	F. M. KASCH
JOHN M. HANCOCK	C. W. KAYLOR
A. VERNON JANNOTTA	E. E. RICHARDS
M. H. KARKER	WALTER E. SACHS
ROBERT R. UPDEGRAFF	

### *Officers:*

JOHN M. HANCOCK  
*Chairman of the Board of Directors*

M. H. KARKER  
*President*

ROBERT HILTON, *Vice Pres.—Administration*

F. M. KASCH, *Vice Pres.—Food Stores*

C. W. KAYLOR, *Vice Pres.—Public Relations*

J. M. FRIEDLANDER, *Treasurer*

A. U. HUNT, *Controller*

T. EDW. DAVIS, *Secretary*

F. J. LUNDING, *Asst. Secretary*

RICHARD D. STURTEVANT, *Asst. Secretary*

### *Transfer Agent:*

MANUFACTURERS TRUST COMPANY  
*55 Broad Street, New York City*

### *Registrar:*

THE COMMERCIAL NATIONAL BANK & TRUST  
COMPANY OF NEW YORK, *56 Wall Street,*  
*New York City*

### *Auditors:*

TOUCHE, NIVEN & CO.  
*Certified Public Accountants*  
*New York and Chicago*

# JEWEL TEA CO., INC.

JEWEL PARK  
BARRINGTON, ILLINOIS

January 31, 1941

## TO THE STOCKHOLDERS:

The twenty-fifth annual report of your company for the fiscal year ended December 28, 1940 is presented herewith.

**EARNINGS** Net earnings for the year—after provision for taxes, depreciation, profit sharing, and reserves—were \$1,576,994.77 or \$2.82 per share on the 560,000 shares of common stock issued compared with \$1,583,177.72 or \$2.83 per share in 1939.

**SALES** Total sales amounted to \$29,231,608.46 compared with \$24,782,383.19 in 1939, an increase of 17.95%. The number of operating units was increased by fifty-five routes and sixteen stores, and forty-six markets were added to new or existing stores, and the expense of starting these units was charged to current operations.

A program of aggressive expansion in units and in sales volume was started in June, 1940. This program is marked for completion in 1944, with progressive improvement in each intervening year. Your company continues its effort to find better methods of distribution and new outlets for its products.

Your company has consistently kept retail selling prices at the lowest practicable level. The trend has been definitely downward for three years and during 1940 particular attention was given to the further reduction of selling price or the maintenance of existing price of every item handled, in spite of rising costs of raw materials. Reductions were made as a result of careful study in each instance and they were made partly as a matter of essential service to our customers, partly in a definite cooperative effort with the Federal Government, and partly in the stimulation of wider markets and higher volume. Your company's products are being sold today at the lowest prices in the history of the corporation.

**WORKING CAPITAL** Net working capital amounted to \$4,349,798.81 and the ratio of current assets to current liabilities was 3.01 to 1. Marketable securities included the following groups of bonds at market quotations as of December 28, 1940: Federal government obligations, \$1,384,494.91; state and municipal bonds, \$281,282.67; industrial, public utility, and others, \$599,772.83. Marketable securities were individually valued at the lower of cost or market, and this resulted in net restoration of previous writedowns of \$3,386.42.

Your company had on hand and under contract a total of 149,282 bags of coffee at the end of the year, a stock sufficient to meet roasting needs for approximately

29 weeks. The extension of war operations abroad and defense preparations at home are beginning to have effect on the business of your company, particularly in the cost and regularity of imports.

**OPERATING EXPENSES** The ratio of expenses to sales for the current year was lower than in 1939, in spite of increases totaling \$687,086.49 in wages and taxes.

Automobile accidents throughout the country have greatly increased in number and severity during the last eight years. Your company had four and one-half times as many accidents in 1940 as in 1932 and the cost was 44% greater. Constant effort is made to train men to drive considerately and without taking chances and this effort will be continued. At the same time there is urgent and serious need for more careful driving by the general public in order to cut down the appalling loss of life, injuries and economic waste caused by accidents.

As a matter of necessity because of increasing taxes, higher payrolls, and the continuing trend toward smaller margins, it will be the policy of your company in 1941 to add no item of recurring expense without a corresponding decrease in some present item of recurring expense. The whole organization is committed to the elimination of waste and the rigid control of expenditures but at the same time every item of expense essential to efficiency of operation and to aggressive effort to increase sales will be continued.

**EMPLOYEE RELATIONS** The usual fine understanding and confidence among Jewel employees continued in 1940. There were 3,875 permanent employees at the end of the year compared with 3,554 at the end of 1939.

The employees' savings plan was discontinued as of November 23, 1940 and all such deposits were refunded to employees with interest to that date. The Securities and Exchange Commission ruled that this plan constituted a public offering of a security and therefore must be registered annually, but the requirements for registration and for the printing and distribution of prospectuses were too burdensome and expensive to justify continuing this service to employees. The Jewel Employees Trust Fund is continued for the purpose of holding cash bond deposits required from employees.

At the annual meeting of stockholders on March 11, 1940, the profit sharing plans of your company, including Jewel Retirement Estates, were approved by a vote of 353,966 to 800. Understanding of Jewel Retirement Estates is improving and 1,872 employees out of 2,383 eligible had become members on December 28, 1940. The company contribution to this fund was \$245,664.93 for the year and the trust fund had total assets valued at approximately \$794,000 as of the end of the year 1940.

The Securities and Exchange Commission also took the position that Jewel Retirement Estates constitutes the public offering of a security, which must be registered annually, and that a detailed prospectus must be furnished to each member and prospective member each year. It is the opinion of counsel for your company that Jewel Retirement Estates is not in fact a security; that it is not offered to the public; and that there is no sale because your company can have no direct financial gain

from the operation of the plan. Since compliance would impose substantial additional expense which would reduce the amount of dollar credits to employees' accounts and add unnecessary burdens on both the trustees and your company, to the detriment of the employee-beneficiaries, the Commission's ruling will be contested.

**RESERVES** Assets have been conservatively valued and reserves have been provided by the application of the same principles in use for many years.

During the year 1940, your company spent \$159,486.75 for the extension of institutional advertising, public relations, and sales promotion which was charged to the reserve for alterations, improvement, development and advertising provided for this purpose in prior years. The temporary protective reserve of \$100,000 for inventories set aside at July 13, 1940 out of earnings in the first twenty-eight weeks has been returned to earnings for the year.

On December 11, 1940 the Board of Equalization of the State of California levied an assessment totaling \$16,797.17 against your company for retail sales tax for the three years ending June 30, 1940. This assessment will be contested.

**TAXES** Your company's tax bill reached a new high of \$1,440,169.61 in 1940 and exceeds the previous year by \$302,912.83, or 26.64%. The two Federal revenue acts of 1940 increased the corporate income tax rate by 43.6% and as a result your company's Federal income tax is \$120,165.19 higher for 1940 than in the prior year. There was no liability for excess profits tax for 1940.

The following table shows the steady and substantial growth of your company's tax bill in recent years:

#### TAX COST

Year	Total	Per Share on 560,000 Shares	Per Annum Per Person Employed
1932	\$ 248,457	\$ .44	\$ 87.57
1936	850,605	1.52	246.52
1940	1,440,169	2.57	376.23

**SURPLUS** Regular dividends of \$2.40 per share were paid in 1940. The surplus account was closed with a balance of \$2,984,450.56.

The management gratefully acknowledges the application, spirit and earnest effort of the entire personnel in extending and improving service to customers. The results for the year are further evidence of the practical value of mutual understanding and cooperation.

For the Board of Directors:

*John M. Hancock*  
Chairman

*M. B. Marker*  
President

## BALANCE SHEET -

## ASSETS

## Current Assets:

Cash on hand, demand and time deposits.....		\$ 1,167,697.99
Marketable securities at cost or market, whichever is lower, and interest (market quotation \$2,265,550.41).....		2,246,414.79
Accounts receivable:		
Trade customers, less reserve of \$10,297.47 for doubtful accounts..	\$ 183,537.98	
Miscellaneous, less reserve of \$2,135.39 for doubtful accounts....	64,815.54	248,353.52
Inventories at cost or market, whichever is lower:		
Raw materials.....	\$ 858,429.50	
Finished groceries.....	1,579,837.02	
Premiums.....	409,652.45	2,847,918.97
		<u>\$ 6,510,385.27</u>

## Other Assets:

Loans to employees.....	\$ 12,394.87	
Cash surrender value of life insurance policies.....	82,588.00	
Miscellaneous investments, deposits and contracts (net), less reserve of \$10,000.00 .....	39,616.96	134,599.83

## Jewel Employees Trust Fund Assets:

Investments at cost or market, whichever is lower, and cash (Jewel employees surety deposits, per contra) .....		288,537.78
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## Deferred Charges:

Premiums (at cost) advanced to customers, less reserve of \$41,688.65 for doubtful accounts.....	\$1,008,847.43	
Unexpired insurance, expense supplies, etc.....	167,693.11	1,176,540.54

## Capital Assets:

(Appraised as of December 31, 1932, when book values were reduced \$404,537.66 to basis of current values, plus subsequent additions at cost)		
Land .....	\$ 474,544.68	
Buildings .....	\$1,433,713.36	
Machinery, furniture and fixtures, at plants.....	507,655.79	
Branch and store equipment.....	2,276,693.86	
	\$4,218,063.01	
Less reserve for depreciation.....	1,817,108.95	2,400,954.06
		<u>2,875,498.74</u>

## Good Will .....

1.00
<u>\$10,985,563.16</u>

The above balance sheet and the accompanying income and surplus account of Jewel Tea Co. in my opinion, a true statement of the financial position of the Company on December 28, 1941.

Barrington, Illinois, January 24, 1941.

# A CO., INC.

(Corporation)

DECEMBER 28, 1940

## LIABILITIES

### Current Liabilities:

Letters of credit and acceptances.....	\$ 196,474.25
Accounts payable .....	525,168.81
Accrued wages and bonuses.....	427,289.24
Provision for contribution to Jewel Retirement Estates.....	245,664.93
Federal, state and other taxes accrued.....	722,711.06
Sundry accruals.....	43,278.17
	<u>\$ 2,160,586.46</u>

### Liabilities for Real Estate Purchases:

Lease assumptions and lease adjustments, payable in monthly install- ments, of which \$10,173.96 is due within one year.....	29,177.33
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### Jewel Employees Surety Deposits:

Principal and interest at the rate of 2% per annum guaranteed by Jewel Tea Co., Inc. (Jewel employees trust fund assets, per contra)	288,537.78
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### Reserves:

For contingencies .....	\$ 285,000.00
For automobile accident and other self-insured losses.....	200,081.87
For alterations, improvement, development and advertising.....	<u>197,513.25</u>
	682,595.12

### Capital Stock and Surplus:

Common stock, no par value:	
Authorized .....	600,000 shares
Unissued .....	<u>40,000 shares</u>
Issued .....	<u>560,000 shares</u> \$4,935,462.34
Earned surplus (including \$185,164.92 arising from sale and dis- tribution of common stock to employees and others from 1926 to December 28, 1940) .....	<u>2,984,450.56</u>
	<u>\$7,919,912.90</u>
Less 4,926 shares of common stock in treasury at cost, acquired for sale or distribution to employees.....	<u>95,246.43</u>
	7,824,666.47

### Contingent Liabilities:

Under contracts for coffee and other commodities not shipped at December 28, 1940.....	<u>\$694,550.42</u>
	<u>\$10,985,563.16</u>

Inc. are in accordance with and correctly prepared from the books of the Company, and exhibit,  
0 and the results of its operations for the year then ended.

A. U. HUNT, Controller.

# JEWEL TEA CO., INC.

## INCOME AND SURPLUS ACCOUNT

### For the Fifty-two Weeks Ended December 28, 1940

Net Sales .....		\$29,231,608.46
Deduct:		
Cost of sales—including raw materials, labor, supplies, operating, selling and administrative expenses, etc.....	\$25,125,729.67	
Depreciation—of buildings, machinery, furniture and fixtures, and automobiles .....	409,038.54	
Taxes—federal defense, federal income (\$432,967.20), federal excess profits tax (none), state income, franchise, capital stock, excise, federal old age and survivors' benefit, federal and state unemployment, sales, use, occupational, gasoline, motor carrier, occupancy, personal property and real estate taxes, and automobile and business licenses.....	1,440,169.61	
Provision for doubtful accounts (after return of temporary protective reserve of \$35,000.00 provided from earnings in 1938) .....	100,133.11	
Rents .....	440,315.88	
Maintenance and repairs.....	194,097.85	
Provision for contribution to Jewel Retirement Estates.....	245,664.93	
Reserves—during the year 1940, \$159,486.75 was spent for the extension of institutional advertising, public relations, and sales promotion which was charged to the reserve for alterations, improvement, development and advertising, provided from earnings in prior years.	—	27,955,149.59
		\$ 1,276,458.87
Add:		
Other income:		
Interest on securities.....	\$ 59,267.82	
Other miscellaneous income.....	245,293.84	
		304,561.66
		\$ 1,581,020.53
Deduct:		
Provision to reduce marketable securities to the basis of cost or market, whichever is lower, less profits (net) on sales of securities.....		4,025.76
Net Earnings for the Year.....		\$ 1,576,994.77
Earned Surplus, December 30, 1939.....		2,693,100.79
		\$ 4,270,095.56
Deduct:		
Dividends on common stock (\$2.40 per share).....	\$ 1,332,043.80	
Less adjustments arising from sale and distribution of common stock to employees and others .....	46,398.80	
		1,285,645.00
Earned Surplus, December 28, 1940 (including \$185,164.92 arising from sale and distribution of common stock to employees and others from 1926 to December 28, 1940).....		\$ 2,984,450.56

TO THE BOARD OF DIRECTORS,  
JEWEL TEA CO., INC.:

We have examined the balance sheet of Jewel Tea Co., Inc. as of December 28, 1940, and the statement of income and surplus for the year of fifty-two weeks then ended, have reviewed the system of internal control and the accounting procedures of the Company and, without making a detailed audit of the transactions, have examined or tested accounting records of the Company and other supporting evidence, by methods and to the extent we deemed appropriate.

In our opinion, the accompanying balance sheet and related statement of income and surplus present fairly the position of Jewel Tea Co., Inc. at December 28, 1940 and the results of its operations for the year of fifty-two weeks, in conformity with generally accepted accounting principles applied on a basis consistent with that of the preceding year.

TOUCHE, NIVEN & CO.  
Certified Public Accountants

Chicago, Illinois  
January 25, 1941



*A Minnesota customer displays some of the premiums received through Jewel shopping.*



*Friendly, courteous service makes shopping a pleasant experience in Jewel Food Stores.*



*The Jewel man brings the markets of the world direct to the customer's door.*

# 20 YEARS' SALES AND EARNINGS

BASED ON 560,000 SHARES COMMON STOCK

YEAR	SALES	EARNINGS	
		AMOUNT	PER SHARE ON COMMON STOCK
1921	\$11,210,388	\$ 321,457	\$ .57
1922	10,240,810	152,149	.27
1923	12,554,875	624,200	1.11
1924	13,602,745	855,076	1.53
1925	14,178,478	838,947	1.50
1926	14,568,258	1,258,052	2.25
1927	14,532,336	1,261,391	2.25
1928	15,970,893	1,530,888	2.73
1929	16,844,110	1,691,302	3.02
1930	15,521,791	1,705,293	3.05
1931	13,742,691	1,363,780	2.44
1932	14,662,252	1,053,626	1.88
1933	14,377,593	909,325	1.62
1934	17,217,177	1,243,123	2.22
1935	18,804,498	1,536,186	2.74
1936	20,762,707	1,794,101	3.20
1937	23,277,441	1,452,120	2.59
1938	23,726,533	1,423,959	2.54
1939	24,782,383	1,583,177	2.83
1940	29,231,608	1,576,994	2.82

## HIGHLIGHTS OF 1940

**The 25-Year Club**—Jewel people who have completed 25 years of service—held its largest banquet, welcomed 12 new members.

**One** new branch was opened; 55 routes added. Sixteen new Jewel Food Stores were opened, and 46 markets added.

**Branch Managers' Convention** embarked Jewel upon the most challenging program in the company's history.

**Sales** meetings were held in every district to transmit the Convention plans to the field.

**In** the route grocery line, five new products were added; two were discontinued; four were improved; and 32 labels were redesigned. Outstanding premium "find" of the year was the Electric Mixer, of which 83,475 were shipped in 24 weeks.

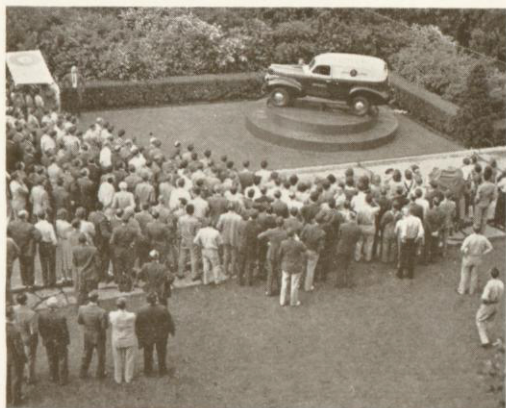
**The Quarter Century Club**—Jewel customers who have traded with the company at least 25 years—added 83 new members, bringing its total to 982.

**Five** new sound slide films were completed and released to the branches for training and sales purposes.

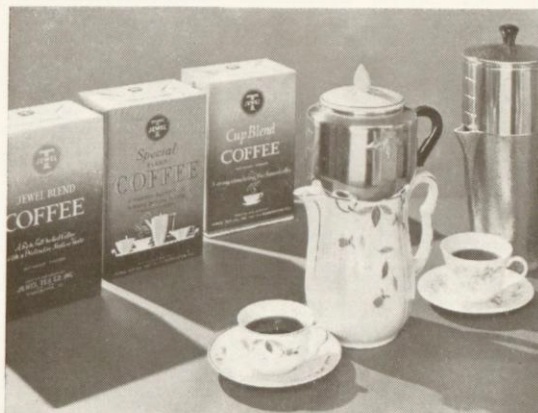
**Jewel** standards of friendliness, courtesy, cleanliness, and service, in stores and on routes, won additional friends for Jewel people and made 1940 the best year in history in total sales.



*Outstandingly attractive and popular are modern, clean, white Jewel Food Stores.*



*Dramatic unveiling of new Jewel route car at 1940 Branch Managers' Convention.*



*Jewel men provide homemakers with the most complete coffee service in America.*

